

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MICHIGAN CITY
LAPORTE COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
09/14/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	John J. Schaefer	01-01-11 to 12-31-11
	Yvonne Hoffmaster	01-01-12 to 01-31-12
	Donna Pappas	02-01-12 to 12-31-12
Mayor	Charles E. Oberlie	01-01-08 to 12-31-11
	Ron Meer	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Ben Neitzel	01-01-11 to 12-31-11
	Michael Palmer	01-01-12 to 12-31-12
President of the Common Council	Marc Espar	01-01-11 to 12-31-12
Superintendent of Water Utility	Randall E. Russell	01-01-11 to 12-31-12
Sanitary District Manager	Alan J. Walus	01-01-11 to 07-01-11
	Milorad (Mike) Milatovis (Interim)	07-02-11 to 12-31-11
	Michael Kuss	01-01-12 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF MICHIGAN CITY, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Michigan City (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 28, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 28, 2012



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TO: THE OFFICIALS OF THE CITY OF MICHIGAN CITY, LAPORTE COUNTY, INDIANA

We have audited the financial statement of the City of Michigan City (City), for the year ended December 31, 2011, and have issued our report thereon dated August 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 28, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MICHIGAN CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 1,369,769	\$ 27,817,558	\$ 27,740,093	\$ 1,447,234
Motor Vehicle Highway	28,231	1,800,036	1,819,978	8,289
Local Road And Street	98,243	360,360	347,935	110,668
Building Demolition	2,075	-	-	2,075
Animal Control	16,299	2,508	18,024	783
Riverboat Gaming	7,110,096	10,754,834	14,063,279	3,801,651
Park And Recreation	197,341	2,553,846	2,667,025	84,162
Levy Excess	1,706	325,000	-	326,706
DEA Forfeiture	54,999	18,654	40,038	33,615
Major Moves	3,713,079	-	2,344,675	1,368,404
Cumulative Capital Development	321,091	468,798	736,590	53,299
Fire Equipment Grant	1,849	92,250	93,259	840
Cumulative Channel Maintenance	1,555,135	245,636	1,080,000	720,771
Cumulative Capital Improvement	216,056	94,880	186,654	124,282
Cedit	1,504,594	1,738,530	2,856,141	386,983
Fire Training Tower Infrastructure	6,681	-	-	6,681
Police Pension	621,648	3,205,761	2,775,131	1,052,278
Fire Pension	195,474	2,905,543	1,556,843	1,544,174
MCRD BONDS 2010 SINKING	-	407,255	407,255	-
REFUNDING BONDS 2011 EXPENSE	-	87,571	87,571	-
REFUNDING BONDS 2011 ESCROW	-	2,400,677	2,400,677	-
MCRD BONDS 2011 RESERVE	-	494,863	3	494,860
MCRD BONDS 2011 CONSTRUCTION	-	4,956,648	772,621	4,184,027
MCRD BONDS 2011 BOND INTEREST	-	217,917	-	217,917
CDBG 2011 B-11-MC-180022	-	39,708	39,708	-
City Donation Fund - EOC Activity	-	30,000	8,298	21,702
MC Economic Dev Revolving Loan Fund	-	650,000	-	650,000
Lake Michigan Costal Prog Grant	-	28,125	-	28,125
CZ 115 - MC Esplanade Plan	-	20,000	-	20,000
CMAQ Grant - 2011 Bus	-	33,585	-	33,585
ARRA Grant - IN-96-X006-01	-	33,585	-	33,585
AIP 15 Grant	-	60,130	5,340	54,790
Cemetery Operating	34,678	440,551	463,100	12,129
Zoo Donation	147,392	110,886	51,715	206,563
Controlled Substance Excise	1,927	-	-	1,927
Fire Donation	2,520	2,178	1,054	3,644
Park Gift And Donation	14,920	23,257	24,023	14,154
Police Donation	10,717	16,766	21,428	6,055
Golf	175,619	682,020	716,441	141,198
Park Concession	53,515	180,804	145,693	88,626
MCPA Receiving	2,779	4,757	1,317	6,219
Zoo Education Nonreverting	4,065	8,073	10,478	1,660
Senior Center Nonreverting	35,167	18,425	20,841	32,751
Park And Recreation Nonreverting	99,947	171,483	158,704	112,726
Patriot Park Nonreverting	15,464	4,425	5,897	13,992
Michigan City Tree Fund	6,525	1,623	2,086	6,062
Michigan City Youth Council	212	-	-	212
Millennium Park Brick	79,028	256	-	79,284
Mayor's Special Events	15,979	36,515	52,404	90
Demolition Recovery	368	12,005	-	12,373
Barker Civic Center	25,542	151,864	167,197	10,209
Police Continuing Education	130,204	29,437	39,475	120,166
Aviation Operating	17,453	354,073	368,277	3,249
Aviation Fuel	32,197	274,172	276,549	29,820
Cemetery Extension	34,385	42,930	42,727	34,588
Cemetery Merchandise And Commission	24,156	144,522	151,034	17,644
Singing Sands Bike Trail Grant	(44,988)	100,000	47,607	7,405
Brownsfield Redevelopment	8,131	35,956	27,791	16,296
CZM 0627 TC Property Acquisition SS	16,039	-	-	16,039
CZM 0630 TC Property Acquisition WEFM	(1,690)	1,690	-	-
ARRA Grant - Transit	(77,802)	81,177	3,375	-
Redevelopment Operating	248,569	184,286	219,876	212,979
Refunding Bonds 2011 Operating And Reserve	93,309	53,964	147,272	1
Refunding Bonds 2011 Reserve	386,000	212,029	386,029	212,000
CDBG 2004 R-04-MC-180022	13	-	13	-
CDBG 2008 B-08-MC-180022	-	204,603	204,603	-

The notes to the financial statement are an integral part of this statement.

CITY OF MICHIGAN CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
CDBG 2009 B-09-MC-180022	790	61,007	61,798	(1)
Northside Tif Investment	743,263	480	600	743,143
CMAQ Grant (MVHF)	(493)	40,223	39,730	-
2009 JAG Grant	(187)	98,977	-	98,790
INDOT Traffic Study Grant	82,436	21,728	47,760	56,404
CZ 0810 Trail Creek Forks	3,100	-	-	3,100
Pawloske/Linn See Property	(26,110)	29,823	-	3,713
MCPD Seizure Fund	72,013	47,350	88,450	30,913
2009 Cops Grant	28,047	127,077	155,124	-
MCPD Bulletproof Vest Program	5	-	5	-
EPA Beach Act Grant	28,312	24,731	53,043	-
Refunding Bonds 2011 Sinking	193,154	2,749,171	2,940,723	1,602
SSTIF Bond 2007 Reserve	369,255	56	2,475	366,836
MCRD Bonds 2010 Debt Svc Rsv	754,418	8,193	8,193	754,418
MCRD Bonds 2010 Bond Interest	407,376	3,194	407,255	3,315
Park And Recreation Capital Improve	4,996	4,159	-	9,155
Blue Chip Development	3,828,243	4,513,242	605,782	7,735,703
Coolspring Ave Reconstruction Grant	684,767	86,424	107,540	663,651
CZM 0713 Karwick Park Bridge	105,999	-	10,661	95,338
AIP 10 Grant	66,124	-	18,381	47,743
AIP 11 Grant	123,571	-	-	123,571
AIP 12 Grant	2,351	19,274	19,768	1,857
AIP 13 Grant	(27,201)	48,368	21,167	-
Northeast TIF	53,837	52,746	34,080	72,503
Southside TIF	2,581,811	719,301	659,244	2,641,868
Northside TIF	9,031,230	2,750,382	2,297,513	9,484,099
IDGF-06-822 Palatek	(101,025)	101,025	-	-
Michigan Blvd Reconstruction Grant	5,729	4,800	6,162	4,367
AIP 14 Grant	10,714	240,730	241,888	9,556
MCRD Bonds 2010 Construction	1,215,061	9,129	815,064	409,126
CDBG 2010 B-10-MC-180022	-	226,870	226,870	-
CDBG NSP1-009-017	(37,527)	981,847	805,377	138,943
Employee Health & Life Insurance	48,693	62,006	62,357	48,342
Cemetery Blanket And Wreath	24,530	9,351	6,493	27,388
Cemetery Flower Fund	27,814	133	443	27,504
Cemetery Dabbert Vault	2,351	12	52	2,311
Cemetery Lutz Vault	4,410	17	-	4,427
Cemetery PM GW Trust	1,036,787	37,184	38,442	1,035,529
Cemetery PM SL Trust	463,077	39,319	17,810	484,586
Cemetery Extension Trust	474,913	47,009	38,559	483,363
Cemetery Mds And Comm Trust	40,597	72,877	75,909	37,565
MC Employee Medical Trust	546,745	5,561,753	6,025,797	82,701
MC Employee Benefit Trust	5,794	356,150	321,195	40,749
Aviation Tax Escrow Account	486	-	-	486
Intergovernmental Wagering Tax	9,812	2,469,371	2,469,369	9,814
Sewage Works Operating	386,323	6,260,688	6,260,520	386,491
Sewage Works Sinking	1,151,104	1,012,234	918,288	1,245,050
Sewage Works Improvement	224,348	227,257	258,047	193,558
Sewage Works - Indian Springs Proj	-	29,166	29,166	-
Sewage Works - Whippoorwill Proj	-	3,643	3,643	-
Sanitary District Operating	242,841	243,887	125,056	361,672
Sanitary District Bond	518,254	881,399	1,000,000	399,653
Sanitary District Refuse	168,357	3,013,815	2,924,847	257,325
Sanitary District Capital	46,060	12,151	-	58,211
Sanitary District Levy Excess	154,727	-	-	154,727
Water Dept Operating	682,101	6,399,307	6,463,228	618,180
Water Dept Bond And Interest	404,068	1,210,544	1,210,481	404,131
Water Dept Improvement	3,733,263	179,781	1,166,631	2,746,413
Water Dept Customer Deposit	492,958	101,369	104,983	489,344
Water Dept Contingencies	794,186	21,520	65,675	750,031
Water Utility - Imprest Funds	5,350	-	-	5,350
MCPA Operating	895,224	2,098,431	1,898,659	1,094,996
MCPA Security Deposit	9,821	-	-	9,821
MCPA Receiving	286,173	2,426,769	2,642,968	69,974
MCPA Debt Service	517,747	38,513	275,682	280,578
MCPA Surplus - Fifth Third	757,840	12,918	-	770,758
MCPA Surplus - Horizon	1,573,537	431,781	-	2,005,318
Totals	\$ 54,541,056	\$ 111,659,647	\$ 109,883,097	\$ 56,317,606

The notes to the financial statement are an integral part of this statement.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Loans Between Funds

On December 20, 2011 the City Council approved the delay of repayment of the following loans between funds until June 30, 2012:

<u>Fund From</u>	<u>Fund To</u>	<u>Amount</u>
Riverboat	General	\$ 7,000,000
Major Moves	General	2,000,000
Police Pension	General	1,000,000
Cumulative Channel Maintenance	MVH	450,000
Cumulative Channel Maintenance	Barker Civic	20,000
Cumulative Channel Maintenance	Park & Recreation	300,000
Cumulative Channel Maintenance	Aviation Operating	210,000
Cumulative Channel Maintenance	CCD	100,000

These loans were repaid on June 30, 2012.

Note 6. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Water Utility Pension Plan

Plan Description

The Utility has a defined contribution pension plan administered by McKready and Keene, Inc., as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the governing board of the Utility and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

McKready and Keene, Inc.
7941 Castleway Drive
P.O. Box 50460
Indianapolis, IN 46250-0460
Ph. (317) 849-4333

Funding Policy and Annual Pension Cost

The contribution requirements of plan members and the Utility are established by the written agreement between the governing board of the Utility and the Plan Administrator. Plan members are required to contribute 3% of the annual covered salary. The Utility is required to contribute at an actuarially determined rate.

Note 8. Subsequent Events

A. LaPorte County Property Taxes

For the past four property tax years LaPorte County has been unable to establish approved assessment amounts for county-wide properties. This has caused the County to bill property owners based on "provisional" tax bills since the 2007 pay 2008 property tax billing year. The County is currently working on preparing a reconciling bill for the 2008 pay 2009 property tax bill and the 2009 pay 2010 property tax bill. It is anticipated that these bills will be sent out to taxpayers in August 2012 with payment to be made in September 2012 and taxing district settlements to be made in October 2012. These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for the County. It is undetermined how much property tax collections the County will receive once all the reconciliation bills have been distributed and the collections received.

B. Loan Agreement

On November 15, 2011, the City Council approved a loan agreement between the Michigan City Board of Works and the Michigan City Sanitary District in the amount of \$700,000. Loan payments will be made from the River Boat Fund and are to be repaid without interest for a term not to exceed seven years. Payments are to be no less than \$100,000 to be made on or before each annual anniversary date of the loan proceeds.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Road And Street	Building Demolition	Animal Control	Riverboat Gaming	Park And Recreation
Cash and investments - beginning	\$ 1,369,769	\$ 28,231	\$ 98,243	\$ 2,075	\$ 16,299	\$ 7,110,096	\$ 197,341
Receipts:							
Taxes	9,357,159	-	-	-	-	-	1,247,722
Licenses and permits	252,808	-	-	-	-	-	-
Intergovernmental	2,217,732	897,935	300,608	-	-	10,686,702	94,606
Charges for services	1,615,936	4,650	-	-	-	-	730,911
Fines and forfeits	27,685	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	14,346,238	897,451	59,752	-	2,508	68,132	480,607
Total receipts	27,817,558	1,800,036	360,360	-	2,508	10,754,834	2,553,846
Disbursements:							
Personal services	18,740,571	1,203,515	-	-	-	-	1,853,824
Supplies	1,172,539	121,462	23,695	-	-	9,502	299,649
Other services and charges	2,624,669	156,038	324,240	-	18,024	139,485	483,121
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,567,042	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	5,202,314	338,963	-	-	-	10,347,250	30,431
Total disbursements	27,740,093	1,819,978	347,935	-	18,024	14,063,279	2,667,025
Excess (deficiency) of receipts over disbursements	77,465	(19,942)	12,425	-	(15,516)	(3,308,445)	(113,179)
Cash and investments - ending	\$ 1,447,234	\$ 8,289	\$ 110,668	\$ 2,075	\$ 783	\$ 3,801,651	\$ 84,162

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Levy Excess	DEA Forfeiture	Major Moves	Cumulative Capital Development	Fire Equipment Grant	Cumulative Channel Maintenance	Cumulative Capital Improvement
Cash and investments - beginning	\$ 1,706	\$ 54,999	\$ 3,713,079	\$ 321,091	\$ 1,849	\$ 1,555,135	\$ 216,056
Receipts:							
Taxes	-	-	-	342,806	-	204,299	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	25,992	92,250	15,490	94,481
Charges for services	-	-	-	-	-	25,847	-
Fines and forfeits	-	18,595	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	325,000	59	-	100,000	-	-	399
Total receipts	325,000	18,654	-	468,798	92,250	245,636	94,880
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	7,923	-	119,432	-	-	-
Other services and charges	-	27,980	-	-	-	-	94,981
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	344,675	617,158	93,259	-	91,673
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	4,135	2,000,000	-	-	1,080,000	-
Total disbursements	-	40,038	2,344,675	736,590	93,259	1,080,000	186,654
Excess (deficiency) of receipts over disbursements	325,000	(21,384)	(2,344,675)	(267,792)	(1,009)	(834,364)	(91,774)
Cash and investments - ending	\$ 326,706	\$ 33,615	\$ 1,368,404	\$ 53,299	\$ 840	\$ 720,771	\$ 124,282

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cedit	Fire Training Tower Infrastructure	Police Pension	Fire Pension	MCRD BONDS 2010 SINKING	REFUNDING BONDS 2011 EXPENSE
Cash and investments - beginning	\$ 1,504,594	\$ 6,681	\$ 621,648	\$ 195,474	\$ -	\$ -
Receipts:						
Taxes	-	-	2,166,144	1,873,182	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,738,530	-	34,832	27,305	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	1,004,785	1,005,056	407,255	87,571
Total receipts	1,738,530	-	3,205,761	2,905,543	407,255	87,571
Disbursements:						
Personal services	295,000	-	2,584	2,400	-	-
Supplies	45,000	-	-	-	-	-
Other services and charges	498,821	-	1,709,101	1,491,537	-	-
Debt service - principal and interest	334,875	-	-	-	-	-
Capital outlay	1,099,434	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	583,011	-	1,063,446	62,906	407,255	87,571
Total disbursements	2,856,141	-	2,775,131	1,556,843	407,255	87,571
Excess (deficiency) of receipts over disbursements	(1,117,611)	-	430,630	1,348,700	-	-
Cash and investments - ending	\$ 386,983	\$ 6,681	\$ 1,052,278	\$ 1,544,174	\$ -	\$ -

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	REFUNDING BONDS 2011 ESCROW	MCRD BONDS 2011 RESERVE	MCRD BONDS 2011 CONSTRUCTION	MCRD BONDS 2011 BOND INTEREST	CDBG 2011 B-11-MC-180022	City Donation Fund - EOC Activity
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	39,708	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>2,400,677</u>	<u>494,863</u>	<u>4,956,648</u>	<u>217,917</u>	<u>-</u>	<u>30,000</u>
Total receipts	<u>2,400,677</u>	<u>494,863</u>	<u>4,956,648</u>	<u>217,917</u>	<u>39,708</u>	<u>30,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	440
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	772,621	-	-	7,858
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>2,400,677</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>39,708</u>	<u>-</u>
Total disbursements	<u>2,400,677</u>	<u>3</u>	<u>772,621</u>	<u>-</u>	<u>39,708</u>	<u>8,298</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>494,860</u>	<u>4,184,027</u>	<u>217,917</u>	<u>-</u>	<u>21,702</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 494,860</u>	<u>\$ 4,184,027</u>	<u>\$ 217,917</u>	<u>\$ -</u>	<u>\$ 21,702</u>

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	MC Economic Dev Revolving Loan Fund	Lake Michigan Costal Prog Grant	CZ 115 - MC Esplande Plan	CMAQ Grant - 2011 Bus	ARRA Grant - IN-96-X006-01	AIP 15 Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	55,157
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	650,000	28,125	20,000	33,585	33,585	4,973
Total receipts	650,000	28,125	20,000	33,585	33,585	60,130
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	5,340
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	5,340
Excess (deficiency) of receipts over disbursements	650,000	28,125	20,000	33,585	33,585	54,790
Cash and investments - ending	\$ 650,000	\$ 28,125	\$ 20,000	\$ 33,585	\$ 33,585	\$ 54,790

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Cemetery Operating	Zoo Donation	Controlled Substance Excise	Fire Donation	Park Gift And Donation	Police Donation
Cash and investments - beginning	\$ 34,678	\$ 147,392	\$ 1,927	\$ 2,520	\$ 14,920	\$ 10,717
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	365,662	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	74,889	110,886	-	2,178	23,257	16,766
Total receipts	440,551	110,886	-	2,178	23,257	16,766
Disbursements:						
Personal services	381,207	-	-	-	-	-
Supplies	20,829	21,322	-	1,054	19,630	21,428
Other services and charges	37,000	16,269	-	-	4,393	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	1,828	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	24,064	12,296	-	-	-	-
Total disbursements	463,100	51,715	-	1,054	24,023	21,428
Excess (deficiency) of receipts over disbursements	(22,549)	59,171	-	1,124	(766)	(4,662)
Cash and investments - ending	\$ 12,129	\$ 206,563	\$ 1,927	\$ 3,644	\$ 14,154	\$ 6,055

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Golf	Park Concession	MCPA Receiving	Zoo Education Nonreverting	Senior Center Nonreverting	Park And Recreation Nonreverting
Cash and investments - beginning	\$ 175,619	\$ 53,515	\$ 2,779	\$ 4,065	\$ 35,167	\$ 99,947
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	676,386	177,184	4,370	-	18,425	159,919
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	5,634	3,620	387	8,073	-	11,564
Total receipts	682,020	180,804	4,757	8,073	18,425	171,483
Disbursements:						
Personal services	488,859	38,925	-	-	-	-
Supplies	132,002	80,091	-	9,768	2,998	41,536
Other services and charges	66,703	4,788	-	405	5,970	101,210
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	28,877	21,889	1,317	305	11,873	15,958
Total disbursements	716,441	145,693	1,317	10,478	20,841	158,704
Excess (deficiency) of receipts over disbursements	(34,421)	35,111	3,440	(2,405)	(2,416)	12,779
Cash and investments - ending	\$ 141,198	\$ 88,626	\$ 6,219	\$ 1,660	\$ 32,751	\$ 112,726

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Patriot Park Nonreverting	Michigan City Tree Fund	Michigan City Youth Council	Millennium Park Brick	Mayor's Special Events	Demolition Recovery
Cash and investments - beginning	\$ 15,464	\$ 6,525	\$ 212	\$ 79,028	\$ 15,979	\$ 368
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	4,425	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,623	-	256	36,515	12,005
Total receipts	4,425	1,623	-	256	36,515	12,005
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	1,985	-	-	-	-
Other services and charges	5,897	101	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	52,404	-
Total disbursements	5,897	2,086	-	-	52,404	-
Excess (deficiency) of receipts over disbursements	(1,472)	(463)	-	256	(15,889)	12,005
Cash and investments - ending	\$ 13,992	\$ 6,062	\$ 212	\$ 79,284	\$ 90	\$ 12,373

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Barker Civic Center	Police Continuing Education	Aviation Operating	Aviation Fuel	Cemetery Extension	Cemetery Merchandise And Commission
Cash and investments - beginning	\$ 25,542	\$ 130,204	\$ 17,453	\$ 32,197	\$ 34,385	\$ 24,156
Receipts:						
Taxes	111,960	-	100,418	-	-	-
Licenses and permits	-	8,977	-	-	-	-
Intergovernmental	8,489	2,720	7,614	-	-	-
Charges for services	-	13,856	14,826	274,172	42,930	144,522
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	31,415	3,884	231,215	-	-	-
Total receipts	151,864	29,437	354,073	274,172	42,930	144,522
Disbursements:						
Personal services	125,868	-	195,461	-	-	-
Supplies	2,718	16,626	14,589	235,000	-	-
Other services and charges	38,159	22,849	38,227	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	452	-	120,000	41,549	42,727	151,034
Total disbursements	167,197	39,475	368,277	276,549	42,727	151,034
Excess (deficiency) of receipts over disbursements	(15,333)	(10,038)	(14,204)	(2,377)	203	(6,512)
Cash and investments - ending	\$ 10,209	\$ 120,166	\$ 3,249	\$ 29,820	\$ 34,588	\$ 17,644

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Singing Sands Bike Trail Grant	Brownsfield Redevelopment	CZM 0627 TC Property Acquisition SS	CZM 0630 TC Property Acquisition WEFM	ARRA Grant - Transit	Redevelopment Operating
Cash and investments - beginning	\$ (44,988)	\$ 8,131	\$ 16,039	\$ (1,690)	\$ (77,802)	\$ 248,569
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	41,447	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	100,000	35,956	-	1,690	39,730	184,286
Total receipts	100,000	35,956	-	1,690	81,177	184,286
Disbursements:						
Personal services	-	-	-	-	-	212,369
Supplies	-	-	-	-	-	-
Other services and charges	-	824	-	-	-	7,437
Debt service - principal and interest	-	26,967	-	-	-	-
Capital outlay	47,607	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	3,375	70
Total disbursements	47,607	27,791	-	-	3,375	219,876
Excess (deficiency) of receipts over disbursements	52,393	8,165	-	1,690	77,802	(35,590)
Cash and investments - ending	\$ 7,405	\$ 16,296	\$ 16,039	\$ -	\$ -	\$ 212,979

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Refunding Bonds 2011 Operating And Reserve	Refunding Bonds 2011 Reserve	CDBG 2004 R-04-MC-180022	CDBG 2008 B-08-MC-180022	CDBG 2009 B-09-MC-180022	Northside Tif Investment
Cash and investments - beginning	\$ 93,309	\$ 386,000	\$ 13	\$ -	\$ 790	\$ 743,263
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	204,603	61,007	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	53,964	212,029	-	-	-	480
Total receipts	53,964	212,029	-	204,603	61,007	480
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	147,272	386,029	13	204,603	61,798	600
Total disbursements	147,272	386,029	13	204,603	61,798	600
Excess (deficiency) of receipts over disbursements	(93,308)	(174,000)	(13)	-	(791)	(120)
Cash and investments - ending	\$ 1	\$ 212,000	\$ -	\$ -	\$ (1)	\$ 743,143

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	CMAQ Grant (MVHF)	2009 JAG Grant	INDOT Traffic Study Grant	CZ 0810 Trail Creek Forks	Pawloske/Linn See Property	MCPD Seizure Fund
Cash and investments - beginning	\$ (493)	\$ (187)	\$ 82,436	\$ 3,100	\$ (26,110)	\$ 72,013
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	39,730	98,977	21,728	-	27,550	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	43,208
Utility fees	-	-	-	-	-	-
Other receipts	493	-	-	-	2,273	4,142
Total receipts	40,223	98,977	21,728	-	29,823	47,350
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	27,160	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	39,730	-	20,600	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	88,450
Total disbursements	39,730	-	47,760	-	-	88,450
Excess (deficiency) of receipts over disbursements	493	98,977	(26,032)	-	29,823	(41,100)
Cash and investments - ending	\$ -	\$ 98,790	\$ 56,404	\$ 3,100	\$ 3,713	\$ 30,913

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	2009 Cops Grant	MCPD Bulletproof Vest Program	EPA Beach Act Grant	Refunding Bonds 2011 Sinking	SSTIF Bond 2007 Reserve	MCRD Bonds 2010 Debt Svc Rsv
Cash and investments - beginning	\$ 28,047	\$ 5	\$ 28,312	\$ 193,154	\$ 369,255	\$ 754,418
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	127,077	-	24,731	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	2,749,171	56	8,193
Total receipts	127,077	-	24,731	2,749,171	56	8,193
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	53,043	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	155,124	5	-	2,940,723	2,475	8,193
Total disbursements	155,124	5	53,043	2,940,723	2,475	8,193
Excess (deficiency) of receipts over disbursements	(28,047)	(5)	(28,312)	(191,552)	(2,419)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 1,602	\$ 366,836	\$ 754,418

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	MCRD Bonds 2010 Bond Interest	Park And Recreation Capital Improve	Blue Chip Development	Coolspring Ave Reconstruction Grant	CZM 0713 Karwick Park Bridge	AIP 10 Grant
Cash and investments - beginning	\$ 407,376	\$ 4,996	\$ 3,828,243	\$ 684,767	\$ 105,999	\$ 66,124
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	86,424	-	-
Charges for services	-	4,159	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,194	-	4,513,242	-	-	-
Total receipts	3,194	4,159	4,513,242	86,424	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	107,540	10,661	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	605,782	-	-	18,381
Utility operating expenses	-	-	-	-	-	-
Other disbursements	407,255	-	-	-	-	-
Total disbursements	407,255	-	605,782	107,540	10,661	18,381
Excess (deficiency) of receipts over disbursements	(404,061)	4,159	3,907,460	(21,116)	(10,661)	(18,381)
Cash and investments - ending	\$ 3,315	\$ 9,155	\$ 7,735,703	\$ 663,651	\$ 95,338	\$ 47,743

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	AIP 11 Grant	AIP 12 Grant	AIP 13 Grant	Northeast TIF	Southside TIF	Northside TIF
Cash and investments - beginning	\$ 123,571	\$ 2,351	\$ (27,201)	\$ 53,837	\$ 2,581,811	\$ 9,031,230
Receipts:						
Taxes	-	-	-	52,718	678,190	1,966,736
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	19,274	29,987	-	-	10,016
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	18,381	28	41,111	773,630
Total receipts	-	19,274	48,368	52,746	719,301	2,750,382
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	92,157	1,411,648
Debt service - principal and interest	-	-	-	-	566,897	-
Capital outlay	-	19,768	21,167	-	-	885,416
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	34,080	190	449
Total disbursements	-	19,768	21,167	34,080	659,244	2,297,513
Excess (deficiency) of receipts over disbursements	-	(494)	27,201	18,666	60,057	452,869
Cash and investments - ending	\$ 123,571	\$ 1,857	\$ -	\$ 72,503	\$ 2,641,868	\$ 9,484,099

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	IDGF-06-822 Palatek	Michigan Blvd Reconstruction Grant	AIP 14 Grant	MCRD Bonds 2010 Construction	CDBG 2010 B-10-MC-180022	CDBG NSP1-009-017
Cash and investments - beginning	\$ (101,025)	\$ 5,729	\$ 10,714	\$ 1,215,061	\$ -	\$ (37,527)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	4,800	240,730	-	226,870	981,847
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	101,025	-	-	9,129	-	-
Total receipts	101,025	4,800	240,730	9,129	226,870	981,847
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	6,162	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	241,888	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	815,064	226,870	805,377
Total disbursements	-	6,162	241,888	815,064	226,870	805,377
Excess (deficiency) of receipts over disbursements	101,025	(1,362)	(1,158)	(805,935)	-	176,470
Cash and investments - ending	\$ -	\$ 4,367	\$ 9,556	\$ 409,126	\$ -	\$ 138,943

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Employee Health & Life Insurance	Cemetery Blanket And Wreath	Cemetery Flower Fund	Cemetery Dabbert Vault	Cemetery Lutz Vault	Cemetery PM GW Trust
Cash and investments - beginning	\$ 48,693	\$ 24,530	\$ 27,814	\$ 2,351	\$ 4,410	\$ 1,036,787
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	62,006	9,351	133	12	17	37,184
Total receipts	62,006	9,351	133	12	17	37,184
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	62,357	6,493	443	52	-	38,442
Total disbursements	62,357	6,493	443	52	-	38,442
Excess (deficiency) of receipts over disbursements	(351)	2,858	(310)	(40)	17	(1,258)
Cash and investments - ending	\$ 48,342	\$ 27,388	\$ 27,504	\$ 2,311	\$ 4,427	\$ 1,035,529

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Cemetery PM SL Trust	Cemetery Extension Trust	Cemetery Mds And Comm Trust	MC Employee Medical Trust	MC Employee Benefit Trust	Aviation Tax Escrow Account
Cash and investments - beginning	\$ 463,077	\$ 474,913	\$ 40,597	\$ 546,745	\$ 5,794	\$ 486
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	39,319	47,009	72,877	5,561,753	356,150	-
Total receipts	39,319	47,009	72,877	5,561,753	356,150	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	17,810	38,559	75,909	6,025,797	321,195	-
Total disbursements	17,810	38,559	75,909	6,025,797	321,195	-
Excess (deficiency) of receipts over disbursements	21,509	8,450	(3,032)	(464,044)	34,955	-
Cash and investments - ending	\$ 484,586	\$ 483,363	\$ 37,565	\$ 82,701	\$ 40,749	\$ 486

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Intergovernmental Wagering Tax	Sewage Works Operating	Sewage Works Sinking	Sewage Works Improvement	Sewage Works - Indian Springs Proj	Sewage Works - Whippoorwill Proj
Cash and investments - beginning	\$ 9,812	\$ 386,323	\$ 1,151,104	\$ 224,348	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,469,371	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	6,112,005	-	-	-	-
Other receipts	-	148,683	1,012,234	227,257	29,166	3,643
Total receipts	2,469,371	6,260,688	1,012,234	227,257	29,166	3,643
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	917,884	-	-	-
Capital outlay	-	60,099	-	183,701	-	-
Utility operating expenses	-	4,922,830	-	74,346	-	-
Other disbursements	2,469,369	1,277,591	404	-	29,166	3,643
Total disbursements	2,469,369	6,260,520	918,288	258,047	29,166	3,643
Excess (deficiency) of receipts over disbursements	2	168	93,946	(30,790)	-	-
Cash and investments - ending	\$ 9,814	\$ 386,491	\$ 1,245,050	\$ 193,558	\$ -	\$ -

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Sanitary District Operating	Sanitary District Bond	Sanitary District Refuse	Sanitary District Capital	Sanitary District Levy Excess	Water Dept Operating
Cash and investments - beginning	\$ 242,841	\$ 518,254	\$ 168,357	\$ 46,060	\$ 154,727	\$ 682,101
Receipts:						
Taxes	224,696	351,387	1,437,817	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	19,191	30,012	560,057	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,000	6,907	-	6,013,682
Other receipts	-	500,000	1,014,941	5,244	-	385,625
Total receipts	<u>243,887</u>	<u>881,399</u>	<u>3,013,815</u>	<u>12,151</u>	<u>-</u>	<u>6,399,307</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	5,981	-	-	572,427
Utility operating expenses	125,056	-	2,418,856	-	-	3,878,692
Other disbursements	-	1,000,000	500,010	-	-	2,012,109
Total disbursements	<u>125,056</u>	<u>1,000,000</u>	<u>2,924,847</u>	<u>-</u>	<u>-</u>	<u>6,463,228</u>
Excess (deficiency) of receipts over disbursements	<u>118,831</u>	<u>(118,601)</u>	<u>88,968</u>	<u>12,151</u>	<u>-</u>	<u>(63,921)</u>
Cash and investments - ending	<u>\$ 361,672</u>	<u>\$ 399,653</u>	<u>\$ 257,325</u>	<u>\$ 58,211</u>	<u>\$ 154,727</u>	<u>\$ 618,180</u>

CITY OF MICHIGAN CITY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Water Dept Bond And Interest	Water Dept Improvement	Water Dept Customer Deposit	Water Dept Contingencies	Water Utility - Imprest Funds	MCPA Operating
Cash and investments - beginning	\$ 404,068	\$ 3,733,263	\$ 492,958	\$ 794,186	\$ 5,350	\$ 895,224
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,210,544	179,781	101,369	21,520	-	2,098,431
Total receipts	1,210,544	179,781	101,369	21,520	-	2,098,431
Disbursements:						
Personal services	-	-	-	-	-	638,913
Supplies	-	-	-	-	-	62,791
Other services and charges	-	-	-	-	-	1,164,002
Debt service - principal and interest	1,210,381	-	-	-	-	-
Capital outlay	-	1,166,631	-	-	-	32,836
Utility operating expenses	-	-	-	59,225	-	-
Other disbursements	100	-	104,983	6,450	-	117
Total disbursements	1,210,481	1,166,631	104,983	65,675	-	1,898,659
Excess (deficiency) of receipts over disbursements	63	(986,850)	(3,614)	(44,155)	-	199,772
Cash and investments - ending	\$ 404,131	\$ 2,746,413	\$ 489,344	\$ 750,031	\$ 5,350	\$ 1,094,996

CITY OF MICHIGAN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	MCPA Security Deposit	MCPA Receiving	MCPA Debt Service	MCPA Surplus - Fifth Third	MCPA Surplus - Horizon	Totals
Cash and investments - beginning	\$ 9,821	\$ 286,173	\$ 517,747	\$ 757,840	\$ 1,573,537	\$ 54,541,056
Receipts:						
Taxes	-	-	-	-	-	20,115,234
Licenses and permits	-	-	-	-	-	261,785
Intergovernmental	-	-	-	-	-	21,665,580
Charges for services	-	2,398,259	-	-	-	6,676,439
Fines and forfeits	-	-	-	-	-	89,488
Utility fees	-	-	-	-	-	12,133,594
Other receipts	-	28,510	38,513	12,918	431,781	50,717,527
Total receipts	-	2,426,769	38,513	12,918	431,781	111,659,647
Disbursements:						
Personal services	-	-	-	-	-	24,179,496
Supplies	-	-	-	-	-	2,483,569
Other services and charges	-	-	-	-	-	10,791,042
Debt service - principal and interest	-	38,436	273,400	-	-	3,368,840
Capital outlay	-	-	-	-	-	10,522,902
Utility operating expenses	-	-	-	-	-	11,479,005
Other disbursements	-	2,604,532	2,282	-	-	47,058,243
Total disbursements	-	2,642,968	275,682	-	-	109,883,097
Excess (deficiency) of receipts over disbursements	-	(216,199)	(237,169)	12,918	431,781	1,776,550
Cash and investments - ending	\$ 9,821	\$ 69,974	\$ 280,578	\$ 770,758	\$ 2,005,318	\$ 56,317,606

CITY OF MICHIGAN CITY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 481,923	\$ 9,537,820
Wastewater Utility	1,572	857,953
Water Utility	135,086	484,085
Port Authority	<u>15,327</u>	<u>259,843</u>
Totals	<u>\$ 633,908</u>	<u>\$ 11,139,701</u>

CITY OF MICHIGAN CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Revenue bonds	Redevelopment Auth NE Roeske Ave Bonds of 1999	\$ 873,804	\$ 498,118
Revenue bonds	Redevelopment Auth Refunding Bonds 2011 (Cleveland Ave)	2,025,000	255,769
Revenue bonds	Redevelopment Auth Special Taxing Dist Bonds 2007 (400N)	4,170,000	360,049
Revenue bonds	Redevelopment Auth Lafayette/Barker Bonds of 2010	9,530,000	749,705
Revenue bonds	Redevelopment Auth Elston Grove Bonds of 2011	5,735,000	129,171
General obligation bonds	Parks and Recreation Bonds of 1997	650,000	339,625
Total governmental activities		<u>22,983,804</u>	<u>2,332,437</u>
Wastewater Utility:			
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2005	<u>3,380,000</u>	<u>916,749</u>
Water Utility:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2004	4,800,000	997,106
Notes and loans payable	SRF Loan	<u>6,004,916</u>	<u>213,853</u>
Total Water Utility		<u>10,804,916</u>	<u>1,210,959</u>
Port Authority:			
Revenue bonds	Marina Revenue Bonds Fifth Issue	<u>270,000</u>	<u>282,150</u>
Totals		<u>\$ 37,438,720</u>	<u>\$ 4,742,295</u>

CITY OF MICHIGAN CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 6,538,806
Infrastructure	100,672,950
Buildings	21,096,385
Improvements other than buildings	16,371,935
Machinery, equipment and vehicles	21,534,961
Construction in progress	<u>13,863,985</u>
Total governmental activities	<u>180,079,022</u>
Wastewater Utility:	
Land	735,366
Infrastructure	67,507,431
Buildings	23,342,218
Improvements other than buildings	720,950
Machinery, equipment and vehicles	<u>8,527,529</u>
Total Wastewater Utility	<u>100,833,494</u>
Water Utility:	
Land	91,291
Infrastructure	27,616,126
Buildings	10,226,007
Improvements other than buildings	20,687,753
Machinery, equipment and vehicles	2,207,228
Construction in progress	<u>209,136</u>
Total Water Utility	<u>61,037,541</u>
Port Authority:	
Land	2,038,751
Infrastructure	2,515,542
Buildings	5,800,526
Improvements other than buildings	992,285
Machinery, equipment and vehicles	788,127
Construction in progress	<u>229,589</u>
Total Port Authority	<u>12,364,820</u>
Total capital assets	<u><u>\$ 354,314,877</u></u>

CITY OF MICHIGAN CITY
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Department of Water Works, City of Michigan City

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF MICHIGAN CITY, LAPORTE COUNTY, INDIANA

Compliance

We have audited the City of Michigan City's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2011-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding reporting that are applicable to its CDBG - Entitlement Grants Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 28, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MICHIGAN CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>		
Pass-Through Indiana Department of Natural Resources Coastal Zone Management Administration Awards Karwick Nature Bridge Stabilization and Ramps Pawloske Trail Creek Preservation	11.419	\$ 10,661 27,550
Total for federal grantor agency		38,211
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Direct Grant		
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants B-09-MC-180022 B-10-MC-180022	14.218	522,686 51,788
Total for cluster		574,474
Pass-through Indiana Housing and Community Development Authority CDBG - State-Administered CDBG Cluster ARRA - Community Development Block Grants/State's Program and Non-Entitlements Grants in Hawaii	14.228	805,377
Total for federal grantor agency		1,379,851
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Direct Grant		
Public Safety Partnership and Community Policing Grants	16.710	155,124
JAG Cluster		
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	98,977
Equitable Sharing Program	16.922	18,654
Total for federal grantor agency		272,755
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety PT-11-04-04-13	20.600	14,440
Direct Grant		
Airport Improvement Program 3-18-0055-012-2008 3-18-0055-013-2009 3-18-0055-014-2010 3-18-0055-015-2011	20.106	19,768 21,167 241,888 5,340
Total for program		288,163
Federal Transit Cluster		
ARRA - Federal Transit - Capital Investment Grants SR-0901619	20.500	6,162
Federal Transit - Formula Grants IN-90-4586-01 IN-90-X586-02 IN-95-X014-00	20.507	446,293 418,493 254,412
Total for program		1,119,198
Total for cluster		1,125,360
Total for federal grantor agency		1,427,963
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>		
Pass-Through Indiana Department of Environmental Management Beach Monitoring and Notification Program Implementation Grants 00-4853477	66.472	24,731
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
Pass-Through LaPorte County Assistance to Firefighters Grant AFG-2010-M9-3120GF-25000	97.044	92,250
Total federal awards expended		\$ 3,235,761

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MICHIGAN CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Michigan City (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number		
Community Development Block Grants/Entitlement Grants	14.218	\$	305,456
ARRA - Community Development Block Grants/State's Program and Non-Entitlements Grants in Hawaii	14.228		497,988

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported

Type of auditor's report issued on compliance for major programs:

Qualified for CDBG - Entitlement Grants Cluster

Unqualified for CDBG - State-Administered CDBG Cluster and Federal Transit Cluster

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
--	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	CDBG - Entitlement Grants Cluster
	CDBG - State-Administered CDBG Cluster
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

Section II – Financial Statement Findings

No matters are reportable.

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-1 - FEDERAL CASH TRANSACTION REPORTS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Number: B09-MC-180022 and B10-MC-180022

The disbursements per the Federal Cash Transaction Reports filed in 2011 did not agree to the disbursements posted to the Integrated Disbursement and Information System (IDIS). The total disbursements as reported by the Federal Cash Transaction Reports are as follows: B08-MC-180022, \$204,603; B09-MC-180022, \$61,007; B10-MC-180022, \$226,870 and B11-MC-180022 \$39,708. The total disbursements as reported by IDIS are as follows: B08-MC-180022, \$0; B09-MC-180022, \$522,686; B10-MC-180022, \$51,788 and B11-MC-180022 \$0. The information for the Federal Cash Transaction Reports was generated by the information that was processed by the City Controller on the City's accounting software system and the information for IDIS was generated by the information that was processed by the CDBG Director on HUD's Integrated Disbursement and Information System (IDIS). The discrepancies are due to the lack of oversight in claims process at the department level and the lack of internal controls related to the reconciliation of the Federal Cash Transaction Reports to IDIS.

Additionally, in 2011 all the Federal Cash Transaction Reports (10 in total) were filed late. The quarterly reports were due on April 16, July 16, October 15, 2011, and January 15, 2012; however, the City submitted the reports on May 16, 2011, August 23, 2011, November 26, 2011 and January 31, 2012, respectively.

24 CFR 85.41(c) states in part:

"Federal Cash Transactions Report - (1) Form. (i) For grants paid by letter or credit, Treasury check advances or electronic transfer of funds, the grantee will submit the Standard Form 272, Federal Cash Transactions Report, and when necessary, its continuation sheet, Standard Form 272a, unless the terms of the award exempt the grantee from this requirement.

(ii) These reports will be used by the Federal agency to monitor cash advanced to grantees and to obtain disbursement or outlay information for each grant from grantees. The format of the report may be adapted as appropriate when reporting is to be accomplished with the assistance of automatic data processing equipment provided that the information to be submitted is not changed in substance. . . .

(4) Frequency and due date. Grantees must submit the report no later than 15 working days following the end of each quarter."

Failure to comply with the timely submission of required reports could cause the City to be ineligible for future federal awards.

We recommended officials establish procedures to ensure the timely submission of required reports.

We recommended officials re-evaluate the claims process placing emphasis on the accounts that are being used to record information on the City's accounting system and to develop procedures to ensure that the quarterly federal cash transaction reports are being reconciled to IDIS before they are submitted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2010-1


Original SBA Audit Report Number:	B39087
Fiscal Year	January 1, 2010 to December 31, 2010
Auditee Contact person	Judy Pinkston
Title of Contact Person	CDBG Director
Phone Number	(219) 873-1419

Status of Finding:

Sub-recipient Monitoring

This Finding has been resolved. The City conducted on site monitoring visits in April and May of 2011. In addition, on site monitoring occurred in February 2012 of the Sub-recipients. The City continues to be in compliance with 24 CFR Part 570.501(b), 24 CFR 570.502(a) (14) and 24 CFR 570.502(b) (3) (vii).


Judy Pinkston


Donna Pappas

8/20/12

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

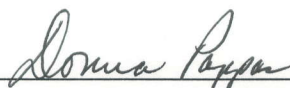
Finding Number 2010-2

Original SBA Audit Report Number	B39087
Fiscal Year	January 1, 2010 to December 31, 2010
Auditee Contact Person	Donna Pappas/Yvonne Hoffmaster
Title of Contact Person	City Controller/Deputy Controller
Phone Number	(219) 873-1404 ext 361

Status of Finding

The finding states that the City received reimbursement for costs that could not be verified through the City's records.

The Federal Transit Administration (FTA) conducted its triennial review of the City's Public Transit Department. This issue was addressed with them and it was determined that these expenditures could not be substantiated. The amount of \$7,510.15 was deducted from the next reimbursement request as instructed by the review team. A procedure has been established that requires the grant paperwork must have all the documentation attached and be reviewed by at least one other person.



Donna Pappas, City Controller

August 3, 2012



Yvonne Hoffmaster, Deputy Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2010-3

Original SBA Audit Report Number	B39087
Fiscal Year	January 1, 2010 to December 31, 2010
Auditee Contact Person	Donna Pappas/Yvonne Hoffmaster
Title of Contact Person	City Controller/Deputy Controller
Phone Number	(219) 873-1404 ext 361

Status of Finding

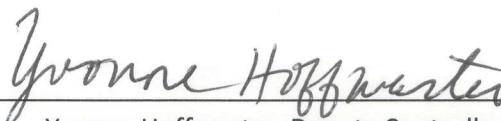
The finding states that the City comingled ARRA grant transactions with transactions related to two other grants in the same fund in the City's records.

The posting errors that caused this condition were corrected immediately upon notification. Grant applications are now routed through the City Controller's office. This ensures that all grants are recognized and accounted for separately.



Donna Pappas, City Controller

August 3, 2012



Yvonne Hoffmaster, Deputy Controller

Section III –Federal Award Findings and Questioned Costs

FEDERAL FINDING 2011.1 FEDERAL CASH TRANSACTION REPORTS

Federal Agency: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

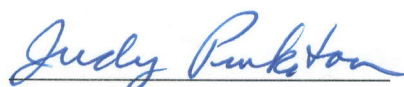
Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

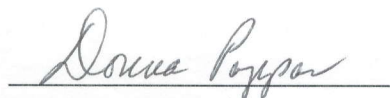
Federal Award Number: B-09MC-180022 and B10-MC-180022

Corrective Action:

The City will review all claims submitted for payment into the City's accounting software program to ensure that the correct CDBG Program Year is used. In addition, the Community Development Director will review Federal Cash Transaction Reports which will be reconciled to IDIS on a quarterly basis.



Judy Pinkston



Donna Pappas

8/20/12

CITY OF MICHIGAN CITY
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2012, with John J. Schaefer, former Controller; Yvonne Hoffmaster, former City Controller, Donna Pappas, City Controller; and Marc Espar, President of the Common Council. Our audit disclosed no material items that warrant comment at this time.